



DATE: November 15, 2016
TO: Mayor and City Council
FROM: Director of Public Works

SUBJECT

Resolution Authorizing the City Manager to Negotiate and Execute a New Ground Lease Agreement with Byculla Homes, Inc. for Lease of a Parcel of Land at Hayward Executive Airport

RECOMMENDATION

That Council adopts the attached resolution authorizing the City Manager to negotiate and execute a ground lease for property at Hayward Executive Airport.

BACKGROUND

Byculla Homes, Inc. (Byculla) is a privately-held corporation based in Fremont, California. The company business involves renovation of apartment buildings throughout the United States. Byculla operates one cabin-class corporate jet aircraft, and for transportation purposes, they are in partnership with another company that operates two other corporate jet aircraft.

Byculla approached staff in February 2016 regarding space for their aircraft, and staff provided contact information for aircraft storage companies at the airport. However, staff was informed that, after internal discussion, Byculla management preferred to construct and operate their own hangar.

DISCUSSION

Byculla management received a tour of the airport and was presented with the areas available for construction. They chose a 2.56-acre site on the south side along Tuskegee Drive that is adjacent to the Meridian Hayward FBO (Attachment III). The proposed lease term is fifty years.

Byculla anticipates the construction of a hangar that is approximately 17,000 square feet. A hangar door that is twenty-eight feet in height is anticipated to accommodate their aircraft. Consideration will be given to an exterior design that mirrors some aspects of the large California Air National Guard (CANG) hangar. Construction drawings and design details will be subject to review and approval by the City. Byculla will be responsible for all costs associated with construction as well as all ongoing utility and leasehold maintenance costs.

Byculla has had preliminary discussions with other companies that may wish to relocate aircraft to Hayward Executive Airport in the future. Accordingly, they have requested a time-limited option for lease of the adjacent 3.17-acre leasehold for development of additional hangars once that parcel becomes available. The current lease for the adjacent parcel will not expire until 2025.

Staff supports a ground lease for Byculla Homes. It will provide additional revenue for the airport, it will result in additional fuel sales and potential aircraft maintenance work for companies at the airport, and it will further improve the appearance of the south side of the airport.

FISCAL IMPACT

The current standard lease rate at the Airport for unimproved land is \$0.32 per square foot, per year. For 2.56-acres or 111,666 square feet of space, this is equivalent to annual revenue of \$35,733. Annual rent will be subject to regular increase as outlined in the Airport's *Policy Establishing Periodic Adjustments to Land Values* document. Byculla will also make a one-time contribution to the purchase and maintenance of Aircraft Rescue and Fire Fighting (ARFF) equipment of \$5.00 per square foot of new hangar space. This will be in addition to the value of capital improvements made on the Airport by Byculla estimated to be approximately two million dollars. Byculla will also pay a fee of \$0.10 per square foot, per year for the option to add the 3.17-acres to its lease until the adjacent leasehold is vacated and the option is exercised as required by the Federal Aviation Administration (FAA).

SUSTAINABILITY FEATURES

The action taken for this report will not result in physical development, purchase or service, or a new policy of legislation. Any physical work will depend upon future Council action.

PUBLIC CONTACT

This matter was discussed before the public and was available for comment at the Council Airport Committee (CAC) meeting on October 13, 2016. CAC approved the staff recommendation to forward this item to Council for consideration. No comments from the public were received.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Morad Fakhrai, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K McAadoo', written in a cursive style.

Kelly McAadoo, City Manager